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August 24, 2004

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When calling relative to this
matter, refer to file No. 1189

Honorable James H. Welsh
Commissioner of Conservation
Office of Conservation
P. O. Box 94275
Baton Rouge, Louisiana 70804-9275

RE: Cotton Valley Formation, Reservoir A
Haynesville Formation, Reservoir B
Shongaloo Field
Webster Parish, Louisiana

APPLICATION FOR PUBLIC HEARING

Dear Sir:

AC Exploration, L.L.C. hereby makes application pursuant to the revised rules of procedure for a public hearing to consider evidence relating to the following matters pertaining to the Cotton Valley Formation, Reservoir A, and the Haynesville Formation, Reservoir B, in the Shongaloo Field, Webster Parish, Louisiana:

1. To establish two (2) additional drilling and production units for the exploration for and production of gas and condensate from Cotton Valley Formation, Reservoir A, in the Shongaloo Field, Webster Parish, Louisiana, to be designated CV RA SUC and CV RA SUD, as outlined on the plat attached hereto and made a part hereof;
2. To establish one (1) additional drilling and production unit for the exploration for and production of gas and condensate from Haynesville Formation, Reservoir B, in the Shongaloo Field, Webster Parish, Louisiana, to be designated HAY RB SUE as outlined on the plat attached hereto and made a part hereof;

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3. To force pool and integrate all of the separately owned tracts, mineral leases and other property interests within the proposed units for the Cotton Valley Formation, Reservoir A, and the Haynesville Formation, Reservoir B, in accordance with Section 10, Title 30, of the Louisiana Revised Statutes of 1950 with each tract sharing in unit production on a surface acreage basis of participation;
4. To designate unit operators and unit wells as appropriate;
5. To extend existing field rules to the proposed units, except to the extent inconsistent herewith; and
6. To consider and cover such other matters as the Commissioner of Conservation may deem appropriate and necessary under the circumstances.

The Cotton Valley Formation, Reservoir A, in the Shongaloo Field, Webster Parish, Louisiana, was fully defined in Office of Conservation Order No. 165-C-1, effective July 9, 1998.

The Haynesville Formation, Reservoir B, in the Shongaloo Field, Webster Parish, Louisiana, was fully defined in Office of Conservation Order No. 165-L-1, effective July 9, 1998.

Any pertinent data relating to this matter can be obtained at the cost of the requesting party, from Mr. Christopher Long, AC Exploration, L.L.C., 2400 Augusta, Suite 212, Houston, Texas 77057, telephone number (713) 273-4175.

A pre-application conference was held in connection with this matter on Friday, August 20, 2004, at 10:00 a.m. in the offices of Cook, Yancey, King & Galloway, Suite 1700, AmSouth Tower, 333 Texas Street, Shreveport, Louisiana. Those who attended the conference are shown on the attached list. The applicant provided basic geological information concerning its proposal and responded to questions. Of those in attendance at the conference, one party supported the proposal and another is opposed it in part.

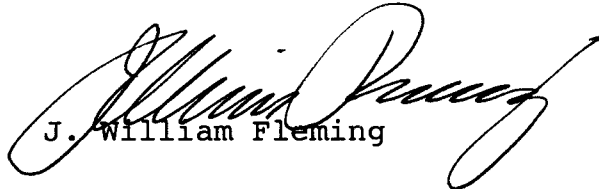
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The attached list includes the names of all Interested Owners, Represented Parties and Interested Parties known to Applicant after a diligent search. A copy of this application, with plat attached, is being sent to each such party. Pursuant to Office of Conservation regulations, the list of parties is being furnished only to the Commissioner of Conservation and to the District Manager of the Shreveport District of the Office of Conservation; however, the list of parties will be provided to any person requesting a copy of it. The application fee is also enclosed.

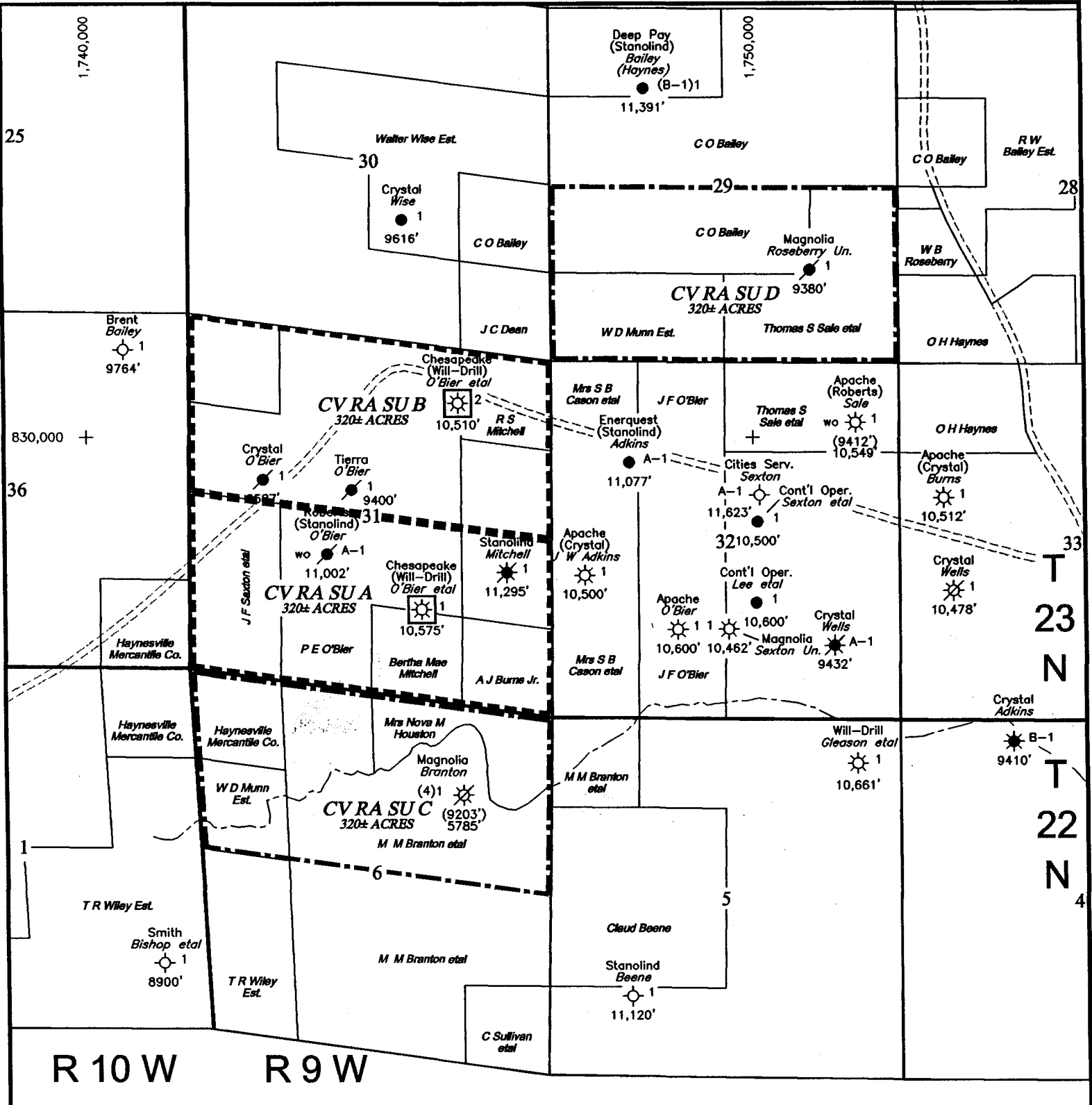
Yours very truly,

COOK, YANCEY, KING & GALLOWAY


J. William Fleming

jwf:s
Enclosures

cc: Mr. Jim Broussard, District Manager
Interested Owners, Represented
Parties and Interested Parties
Parties on Attached List

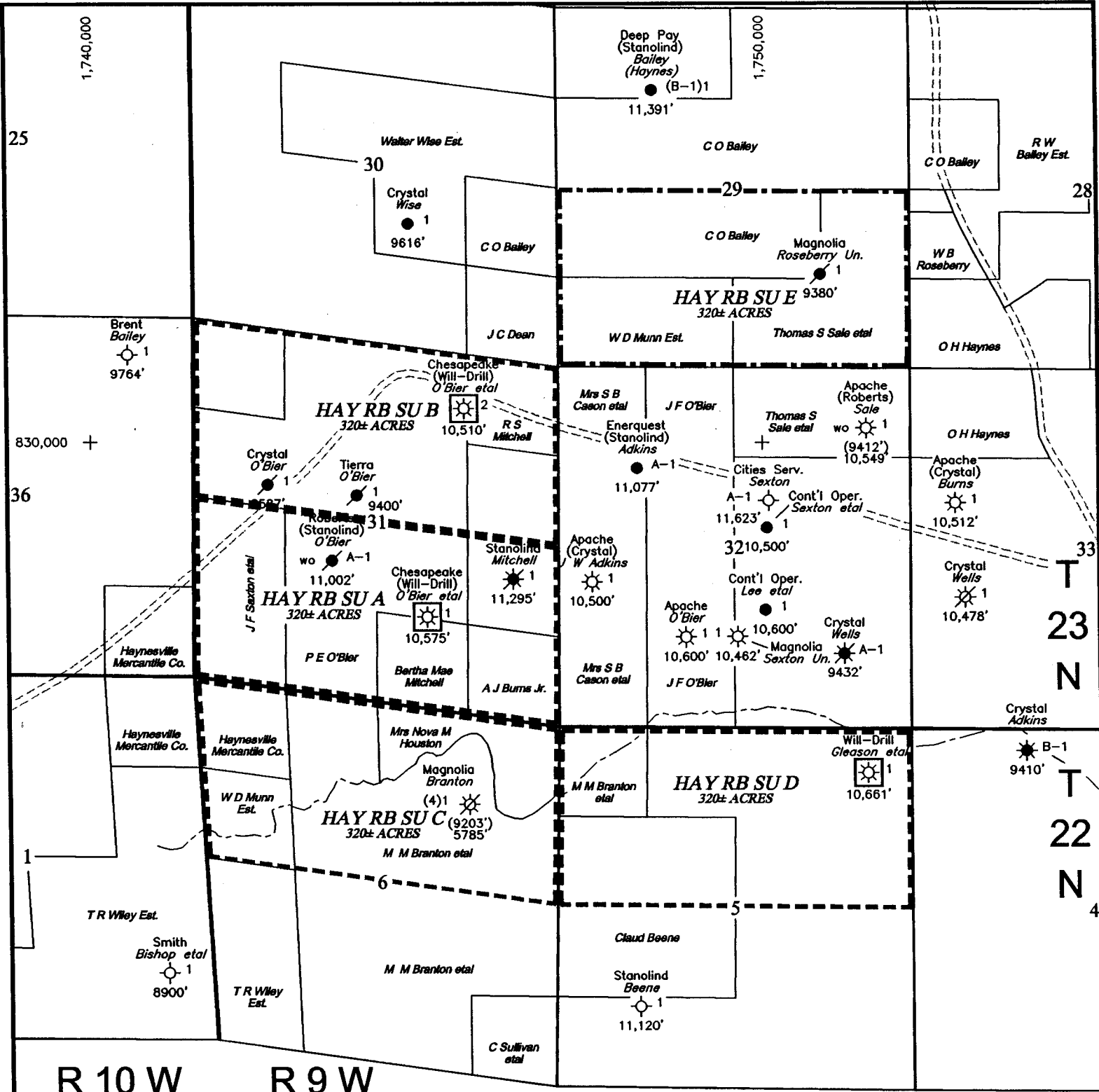


A C EXPLORATION, L.L.C.
HOUSTON, TEXAS

SHONGALOO FIELD
WEBSTER PARISH, LOUISIANA
PROPOSED COTTON VALLEY
RESERVOIR A SAND UNITS C & D

- : EXISTING COTTON VALLEY RESERVOIR A SAND UNITS
- : PROPOSED COTTON VALLEY RESERVOIR A SAND UNITS C & D
- *
 : EXISTING COTTON VALLEY RESERVOIR A UNIT WELLS





A C EXPLORATION, L.L.C.
HOUSTON, TEXAS

SHONGALOO FIELD WEBSTER PARISH, LOUISIANA PROPOSED HAYNESVILLE RESERVOIR B SAND UNIT E

--- : EXISTING HAYNESVILLE
RESERVOIR B SAND UNITS

--- : PROPOSED HAYNESVILLE
RESERVOIR B SAND UNIT E

☀ : EXISTING HAYNESVILLE
RESERVOIR B UNIT WELLS



ONLY WELLS > 8000' TD SHOWN